

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

# **PINCONNING-FRASER FIRE DEPARTMENT**

Bay County, Michigan

## **FINANCIAL STATEMENTS**

March 31, 2008

# **PINCONNING-FRASER FIRE DEPARTMENT**

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## INDEPENDENT AUDITORS' REPORT

Members of the Board  
Pinconning-Fraser Fire Department

We have audited the accompanying financial statements of the governmental activities and the major fund of the Pinconning-Fraser Fire Department (the Fire Department) as of and for the year ended March 31, 2008, which collectively comprise the Fire Department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Fire Department's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Pinconning-Fraser Fire Department as of March 31, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

*Berthiaume & Co.*

Saginaw, Michigan  
August 15, 2008

## ***BASIC FINANCIAL STATEMENTS***

# PINCONNING-FRASER FIRE DEPARTMENT

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## GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS

March 31, 2008

	<i><u>Governmental Fund</u></i>	<i><u>Adjustments (Note 9)</u></i>	<i><u>Statement of Net Assets</u></i>
<b>Assets:</b>			
Cash and cash equivalents	\$ 81,572	\$ -	\$ 81,572
Capital assets:			
Depreciable capital assets, net	<u>-</u>	<u>486,368</u>	<u>486,368</u>
Total assets	<u><u>\$ 81,572</u></u>	<u><u>486,368</u></u>	<u><u>567,940</u></u>
 <b>Liabilities and Fund Balance:</b>			
<i>Liabilities:</i>			
Accounts payable	<u>\$ 12,310</u>	<u>-</u>	<u>12,310</u>
Total liabilities	<u>12,310</u>	<u>-</u>	<u>12,310</u>
 <i>Fund Balance:</i>			
Unreserved	<u>69,262</u>	<u>(69,262)</u>	<u>-</u>
Total liabilities and fund balance	<u><u>\$ 81,572</u></u>		
 <b>Net Assets:</b>			
Invested in capital assets, net of related debt		486,368	486,368
Unrestricted		<u>69,262</u>	<u>69,262</u>
Total net assets		<u><u>\$ 555,630</u></u>	<u><u>\$ 555,630</u></u>

*The accompanying notes are an integral part of these financial statements.*

# PINCONNING-FRASER FIRE DEPARTMENT

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## STATEMENT OF GOVERNMENTAL REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES

Year Ended March 31, 2008

	<i><u>Governmental Fund</u></i>	<i><u>Adjustments (Note 9)</u></i>	<i><u>Statement of Activities</u></i>
<b>Revenues:</b>			
Contributions from participating units	\$ 178,742	\$ -	\$ 178,742
Federal grants	54,800	-	54,800
Charges for services	40	-	40
Interest and rents	3,782	-	3,782
Other revenue	<u>2,610</u>	<u>-</u>	<u>2,610</u>
Total revenues	<u>239,974</u>	<u>-</u>	<u>239,974</u>
<b>Expenditures/Expenses:</b>			
Operations	103,039	67,656	170,695
Capital outlay	48,464	(48,464)	-
Debt service	<u>63,487</u>	<u>(62,741)</u>	<u>746</u>
Total expenditures/expenses	<u>214,990</u>	<u>(43,549)</u>	<u>171,441</u>
Net change in fund balance/net assets	24,984	43,549	68,533
Fund balance/Net assets, beginning of year	<u>44,278</u>	<u>442,819</u>	<u>487,097</u>
Fund balance/Net assets, end of year	<u><u>\$ 69,262</u></u>	<u><u>\$ 486,368</u></u>	<u><u>\$ 555,630</u></u>

*The accompanying notes are an integral part of these financial statements.*

***NOTES TO FINANCIAL STATEMENTS***



# **PINCONNING-FRASER FIRE DEPARTMENT**

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## **NOTES TO FINANCIAL STATEMENTS**

March 31, 2008

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### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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The accounting policies of the Pinconning-Fraser Fire Department (the Department) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity:**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Fire Department. The Fire Department is required to consider other organizations for which the nature and significance of their relationship with it are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are no component units included in the Fire Department's reporting entity. Additionally, the Fire Department is not a component unit of any other reporting entity.

The Pinconning-Fraser Fire Department operates under a joint service agreement created by the City of Pinconning and the Townships of Fraser and Pinconning. The agreement was created in 1993 in order to maintain and operate a joint fire department for the purpose of providing and furnishing fire protection within the geographical boundaries. The Fire Department is governed by an appointed Administrative Board with each unit of government appointing two members to the Board whose terms shall be six years.

#### **Government-Wide and Fund Financial Statements:**

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) report information of all activities of the Fire Department. The Pinconning-Fraser Fire Department is accounted for in one governmental type fund.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The government-wide financial statements (i.e. the Statement of Net Assets and Statement of Activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grant and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences and claims and judgments, if any, are recorded only when payment is due.

# PINCONNING-FRASER FIRE DEPARTMENT

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## NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2008

### Assets, Liabilities and Equity:

**Cash and Cash Equivalents** – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are reported at fair value.

**Receivables** – All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances, if any, are immaterial at year end.

**Capital Assets** – Purchased capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Fire Department defines capital assets as assets with an initial individual cost in excess of \$5,000 if acquired prior to April 1, 2004 and \$1,000 if acquired after April 1, 2004 and an estimated useful life in excess of two years. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Equipment	10-15 years
Vehicles (fire trucks)	8-30 years

**Long-term Obligations** – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. In the fund financial statements, these items are recorded as expenditures when paid.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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## NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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### Budgetary Information:

The budget shall be prepared on a basis consistent with the modified accrual basis of accounting which is used to reflect actual results. The Operating Fund is under formal budgetary control. Unexpended appropriations lapse at year end.

### Excess of Expenditures over Appropriations in Budgeted Funds:

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year, the Fire Department did not incur expenditures that were in excess of the amounts budgeted.

# PINCONNING-FRASER FIRE DEPARTMENT

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## NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2008

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### NOTE 3: DEPOSITS AND INVESTMENTS

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Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

#### **Custodial Credit Risk of Bank Deposits:**

Custodial credit risk is the risk that in the event of a bank failure, the Fire Department's deposits may not be returned. The Fire Department does not have a deposit policy for custodial credit risk. At year-end, the Fire Department had \$81,572 of bank deposits, which was covered by federal depository insurance. At year end, the Fire Department had no investments.

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### NOTE 4: CAPITAL ASSETS

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Capital asset activity for the year ended March 31, 2008 was as follows:

	<i><u>April 1,</u></i> <i><u>2007</u></i>	<i><u>Additions</u></i>	<i><u>Retirements</u></i>	<i><u>March 31,</u></i> <i><u>2008</u></i>
Depreciable capital assets				
Equipment	\$ 297,944	\$ 44,264	\$ (98,174)	\$ 244,034
Vehicles	<u>491,634</u>	<u>4,200</u>	<u>(35,000)</u>	<u>460,834</u>
Total depreciable capital assets	<u>789,578</u>	<u>48,464</u>	<u>(133,174)</u>	<u>704,868</u>
Accumulated depreciation	<u>(284,018)</u>	<u>(51,284)</u>	<u>116,802</u>	<u>(218,500)</u>
Governmental activities, capital assets, net	<u>\$ 505,560</u>	<u>\$ (2,820)</u>	<u>\$ (16,372)</u>	<u>\$ 486,368</u>

# PINCONNING-FRASER FIRE DEPARTMENT

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## NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2008

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### NOTE 5: DEFERRED REVENUE

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Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At year end, the Fire Department had no deferred revenue.

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### NOTE 6: LONG-TERM LIABILITIES

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The Fire Department had the following long-term liabilities outstanding at March 31, 2008.

	<i>April 1, 2007</i>	<i>Additions</i>	<i>Payments</i>	<i>March 31, 2008</i>
<b>2006 Fire Truck Installment Purchase Contract</b>				
Loan payable in 48 monthly installments of \$1,822, on the 22nd day of the month at an interest rate of 4.49%.	<u>\$ 62,741</u>	<u>\$ -</u>	<u>\$ (62,741)</u>	<u>\$ -</u>

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### NOTE 7: FUNDING

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The Fire Department is financed each year by the participating municipalities. This funding represents approximately 74% of total revenues for the year ending March 31, 2008. Consequently, the Fire Department's ability to provide services is dependent upon the continuing support of those municipalities.

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### NOTE 8: RISK MANAGEMENT

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The Fire Department is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Fire Department carries commercial insurance for liability and property loss.

The Fire Department manages its workers' compensation insurance by participating in Michigan Municipal League, a public entity risk pool providing workers' compensation coverage to its participating members. The Fire Department pays an annual premium to Michigan Municipal League for its insurance coverage. The Michigan Municipal League is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based coverage for each incident to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

# PINCONNING-FRASER FIRE DEPARTMENT

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## NOTES TO FINANCIAL STATEMENTS, continued

March 31, 2008

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### NOTE 9: RECONCILIATION OF FUND/GOVERNMENT-WIDE FINANCIAL STATEMENTS

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Following is the explanation of differences between the fund (modified accrual) balance sheet and the government-wide statement of net assets.

<b>Total fund balance for governmental fund</b>	\$ 69,262
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Total net assets reported for governmental activities in the statement of  
of net assets is different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the governmental funds.

Governmental capital assets	704,868	
Less accumulated depreciation	<u>(218,500)</u>	486,368

<b>Net assets of governmental activities</b>	<u>\$ 555,630</u>
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Following is the explanation of differences between the fund (modified accrual) statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities.

<b>Net change in fund balance - governmental fund</b>	\$ 24,984
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Total net assets reported for governmental activities in the statement of  
of net assets is different because:

Governmental funds report capital outlays as expenditures. However, in the  
statement of activities, the cost of those assets is depreciated over their  
estimated useful lives and reported as depreciation expense.

Capital outlay	48,464	
Less depreciation expense	(51,284)	
Less loss on disposal of assets	<u>(16,372)</u>	(19,192)

Repayments of principal on installment purchase agreements are expenditures  
in governmental funds, but the payments reduce long-term liabilities in the  
statement of net assets.

<b>Change in net assets of governmental activities</b>	<u>\$ 68,533</u>
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***REQUIRED SUPPLEMENTAL INFORMATION***

# PINCONNING-FRASER FIRE DEPARTMENT

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## OPERATING FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2008

	<i>Budgeted Amounts</i>			<i>Actual Over (Under)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Final Budget</i>
<b>Revenues:</b>				
Contributions from participating units	\$ 152,160	\$ 191,052	\$ 178,742	\$ (12,310)
Federal grants	-	54,800	54,800	-
Charges for services	-	-	40	40
Interest and rents	1,200	1,200	3,782	2,582
Other revenue	-	-	2,610	2,610
Total revenues	<u>153,360</u>	<u>247,052</u>	<u>239,974</u>	<u>(7,078)</u>
<b>Expenditures:</b>				
Operations	113,250	127,155	103,039	(24,116)
Capital outlay	40,110	80,410	48,464	(31,946)
Debt service	<u>24,000</u>	<u>63,487</u>	<u>63,487</u>	<u>-</u>
Total expenditures	<u>177,360</u>	<u>271,052</u>	<u>214,990</u>	<u>(56,062)</u>
Net change in fund balance	(24,000)	(24,000)	24,984	48,984
Fund balance, beginning of year	<u>44,278</u>	<u>44,278</u>	<u>44,278</u>	<u>-</u>
Fund balance, end of year	<u>\$ 20,278</u>	<u>\$ 20,278</u>	<u>\$ 69,262</u>	<u>\$ 48,984</u>

***OTHER SUPPLEMENTAL INFORMATION***



# PINCONNING-FRASER FIRE DEPARTMENT

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## OPERATING FUND

### DETAILED SCHEDULE OF REVENUES

Year Ended March 31, 2008

***Contribution from participating units:***

Operations	\$ 91,800
Fire runs	20,900
Small equipment	5,010
Capital purchases	61,032
	<u>178,742</u>

***Federal Grants:***

FEMA	<u>54,800</u>
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***Charges for services:***

Fire reports and other	<u>40</u>
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***Interest and rents:***

Interest	<u>3,782</u>
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***Other Revenue:***

Sale of capital assets	2,250
Contributions	360
	<u>2,610</u>

Total revenues	<u><u>\$ 239,974</u></u>
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# PINCONNING-FRASER FIRE DEPARTMENT

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## OPERATING FUND

### DETAILED SCHEDULE OF EXPENDITURES

Year Ended March 31, 2008

#### *Public Safety:*

##### *Operations:*

Administrative personnel	\$ 11,979
Fire personnel	22,176
Fringe benefits and related payroll expenses	11,408
Supplies	13,165
Contracted services	1,365
Telephone	1,914
Mileage	1,600
Dues and memberships	325
Education and training	5,276
Insurance	10,376
Utilities	11,348
Repairs and maintenance	11,817
Other	290
	<u>103,039</u>

##### *Capital Outlay:*

Public safety	<u>48,464</u>
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##### *Debt Service:*

Principal and interest	<u>63,487</u>
Total expenditures	<u><u>\$ 214,990</u></u>

# **PINCONNING-FRASER FIRE DEPARTMENT**

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## *GOVERNMENTAL ACTIVITIES*

### **SCHEDULE OF INDEBTEDNESS**

Year Ended March 31, 2008

#### **2006 CHEMICAL BANK NOTE**

Issue dated May 22, 2006 in the amount of	\$	80,036
Less:		
Principal paid in prior years		(17,295)
Principal paid in current year		<u>(62,741)</u>
Balance payable at March 31, 2008	\$	<u><u>-</u></u>



## **REQUIRED COMMUNICATION TO PINCONNING-FRASER FIRE DEPARTMENT IN ACCORDANCE WITH PROFESSIONAL STANDARDS**

To the Fire Board  
Pinconning-Fraser Fire Department

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pinconning-Fraser Fire Department for the year ended March 31, 2008, and have issued our report thereon dated August 15, 2008. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated February 14, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Pinconning-Fraser Fire Department are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates may be particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

**Disclosures**

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users.

**Difficulties Encountered in Performing the Audit**

We encountered no difficulties in performing and completing our audit.

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, if any.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated August 15, 2008.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Discussions with Management**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Internal Control Matters**

In planning and performing our audit of the financial statements of the Pinconning-Fraser Fire Department as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Pinconning-Fraser Fire Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined above.

Deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, follow:

Recording, Processing and Summarizing Accounting Data

Criteria: All governmental units are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements. SAS No. 112 requires us to communicate with you about this.

Conditions: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing, summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the government has placed reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the government to perform these tasks internally.

Effect: As a result of this condition, the government lacks internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost versus benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

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This communication is intended solely for the information and use of management, Fire Board, and others within the Organization, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Berthiaume & Co.*

Berthiaume & Company  
Certified Public Accountants  
Saginaw, Michigan

August 15, 2008